

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

Deferred Retirement

Public Employees' Retirement System • Teachers' Pension and Annuity Fund • Police and Firemen's Retirement System

Deferred Retirement is available to those members who have at least ten years of service credit and are not yet 60 years of age (55 for PFRS members) when they terminate employment. ***A member who is terminated from employment for cause on charges of misconduct or delinquency is not eligible for Deferred Retirement benefits.*** You may apply for a Deferred Retirement by filing an *Application for Retirement Allowance* with the Division of Pensions and Benefits at any time prior to your retirement date. Retirement benefits will not be paid unless you file an *Application for Retirement Allowance* with the Division of Pensions and Benefits. Retirement benefits cannot become effective prior to receipt of an *Application for Retirement Allowance*.

PERS AND TPAF MEMBERS

The retirement date for Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) members is the first of the month following your 60th birthday. Your retirement allowance is based on the formula below:

Years of Service		Final		Annual
_____	X	Average	=	Retirement
55		Salary		Allowance

For example, a member who terminates employment after 11 years of service with a Final Average Salary of \$35,000 will receive 11/55ths (20%) of \$35,000 for an annual retirement allowance of \$7,000 beginning at age 60.

"Years of Service" means the years and months of pension service credited to your account.

'Salary' means base salary on which pension contributions are taken. It does not include extra pay for overtime, bonuses, housing/uniform allowances, etc.

"Final Average Salary" means the average salary for the three years immediately preceding your termination of employment or your three highest fiscal years (July 1 to June 30) of salary.

PFRS MEMBERS

The retirement date for Police and Firemen's Retirement System (PFRS) members is the first of the month following your 55th birthday. The retirement allowance is equal to 2% of your Final Compensation for each year of service. For example, a member who terminates employment after 11 years with a Final Compensation of \$35,000 will receive 22% of \$35,000 for an annual retirement allowance of \$7,700.

"Final Compensation" means the base salary on which pension contributions are taken for the 12 months immediately preceding your termination of employment. It does not include extra pay for overtime, bonuses, housing/uniform allowances, etc.

SURVIVOR BENEFITS

If you die between the time you terminate employment and your retirement becomes effective, the last named beneficiary will receive the return of your pension contributions. There is no other death benefit under these circumstances.

For more information about survivor's benefits once your retirement goes into effect see Fact Sheet #5, *Pension Options* (PERS and TPAF members) or Fact Sheet #19, *Applying for Retirement* (PFRS members).

LIFE INSURANCE

If you had life insurance through employment, when your Deferred Retirement becomes effective, PERS members will have a paid-in-full death benefit equal to 3/16ths of their salary. TPAF members who did not participate in contributory insurance will have a paid-in-full death benefit equal to 3/16ths of final salary while those who did participate in contributory insurance will have a paid-in-full death benefit equal to 7/16ths. PFRS members will have a paid-in-full death benefit equal to 50% of their final salary.

Your life insurance coverage is not in effect between the time you terminate employment and your

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Deferred Retirement becomes effective. If you wish to convert your coverage to private policy, see Fact Sheet #13, *Conversion of Group Life Insurance*, which is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: www.state.nj.us/treasury/pensions.

HEALTH BENEFITS

Those electing Deferred Retirement cannot transfer their active health care coverage to the retired group of the State Health Benefits Program. (This does not include members of TPAF who elect to defer retirement with 25 or more years of service credit in the pension fund or school board or county college employees with 25 or more years of service credit in PERS.)

Those electing Deferred Retirement may be eligible for continuation of State Health Benefits coverage because of federal 'COBRA' legislation, for up to 18 months if they were covered by the State Health Benefits Program just prior to terminating employment. If the actual retirement commences while the 18 months of COBRA coverage is in effect, the retiree may continue the State Health Benefits coverage into retirement. If the 18 months of COBRA coverage ends before the retirement commences, the member will not be entitled to maintain health coverage through the New Jersey State Health Benefits Program in retirement.

**RETURNING TO PUBLIC EMPLOYMENT
IN NEW JERSEY**

If, **prior to your effective retirement date**, you return to a position covered by the same retirement system, you must cancel your Deferred Retirement and resume contributing to the retirement system. When you are ready to retire or leave employment again, **you must submit a new retirement application**.

If you return to public employment in New Jersey **after your retirement date**, PERS members should see Fact Sheet #21, TPAF members - Fact Sheet #28, and PFRS members - Fact Sheet #29.

OUTSTANDING LOAN BALANCES

If you have an outstanding loan balance at the time you defer your retirement, you can repay the outstanding loan balance in its entirety. However, if you are unable to repay your outstanding loan balance

prior to separation from employment your options are specifically determined by when the loan was taken:

Repayment **for loans taken prior to January 1, 2002** can be "deferred" and upon your retirement be deducted from your retirement check(s). Keep in mind that interest will accrue from the time you leave employment until your retirement is effective and, once effective, until the loan is satisfied. Deductions for the loan should be the monthly equivalent of the amount deducted from your paycheck prior to retirement.

For loans taken after January 1, 2002, you will be offered the following options:

- You repay the loan in monthly installments to the Division through **personal billing**. If your retirement becomes effective and you begin receiving retirement checks prior to paying off your loan, the payment toward your outstanding loan balance will then be deducted from monthly retirement check (provided your retirement allowance has sufficient funds for the monthly payment). All loan payments should be the monthly equivalent of the amount deducted from your paycheck prior to retirement.; or
- Take a **taxable distribution** on the balance of the loan. In accordance with Internal Revenue Section Code 72(p) regulations, failure to remit loan payments will result in declaring the remaining amount as a taxable distribution and subsequently may also be subject to additional IRS regulations. If your loan is deemed a taxable distribution it will be your responsibility to make an estimated tax payment to the IRS to cover your tax liability as no withholding will be deducted from your account and forwarded to the IRS by the Division. In addition, if you are under age 59½, you will be required to pay an additional ten percent tax for taking an early pension distribution. A distribution does not cancel the outstanding loan balance and interest will continue to accrue. Upon your effective retirement date, the loan payment will resume and be deducted from your retirement check.

ARREARS (PURCHASE) BALANCES

If you have an outstanding arrears (purchase) balance, and you have not had installment payments made toward that balance for two years due to inactivity in the account, the Division will cancel the

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remainder of the purchase and provide you with a pro rata credit for the service purchased to the date the installment payments ceased. You may also pay for the arrearage in full within 60 days of Division notice. If the cancellation of this purchase will bring your total service credit under 10 years, you will not be eligible for a Deferred Retirement.

For a member who had authorized a purchase of service credit prior to September 8, 1998 and is not being paid by the employer, the purchase shall remain outstanding but the purchase balance shall include additional regular interest beginning September 8, 2000, or on the date salary stopped, whichever is later.

WITHDRAWING YOUR CONTRIBUTIONS

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a withdrawal of your contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all rights and privileges of membership end.

POINTS TO PONDER

- If you move after you defer your retirement, be sure to provide the Division of Pensions and Benefits with your new address.

- Members of the PERS or TPAF may change their retirement option selection and/or beneficiary(ies) up to 30 days after their retirement date.
- The beneficiaries for your retired group life insurance may be changed at any time by filing a *Designation of Beneficiary* form.

FACT SHEETS

The Fact Sheets mentioned in this publication can be viewed on the Division's Web site at:

www.state.nj.us/treasury/pensions

Fact Sheet #5, *Pension Options (PERS & TPAF)*

Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*

Fact Sheet #13, *Conversion of Group Life Insurance*

Fact Sheet #21, *Employment After Retirement (PERS)*

Fact Sheet #28, *Employment After Retirement (TPAF)*

Fact Sheet #29, *Employment After Retirement (PFRS)*

If you do not have Internet access, you can request that Fact Sheets be sent to you by calling the Division of Pensions and Benefits, Office of Client Services at (609) 292-7524.

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This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.